

[BSP CIRCULAR LETTER, May 30, 1996]

GUIDELINES TO IMPLEMENT RULES AND REGULATIONS ON FINANCIAL DERIVATIVES

The Monetary Board, in its Resolution No. 534 dated May 29, 1996, approved the following guidelines to govern the implementation of Circular No. 102 dated December 29, 1995 (Rules and Regulations on Financial Derivatives), to wit:

1. For purposes of approving applications to engage in financial derivatives activities, the Bangko Sentral ng Pilipinas (BSP) shall issue two types of approvals, namely, one for currency swaps and forwards (the "regular type") and the other for all other kinds of derivatives transactions (the "expanded type").

2. Definitions of currency swaps and forwards:

a. Currency Swap — refers to the simultaneous buying and selling of a currency in approximately equal amounts for different maturity dates with the same party, without reference to any other swap contract or commitment.

b. Currency Forward — refers to an agreement between two parties to exchange one currency for another at a specified future date, calling for actual delivery of the two currencies on a date beyond the spot contract settlement date.

3. Authority to engage in financial derivatives activities shall be issued by the BSP only upon prior determination that the applicant therefor has complied with all the pre-qualification requirements prescribed in Section 3 of Circular Nos. 102 provided, that in the case of an application for authority to engage in the regular type of derivatives transactions, items (a) and (h) thereof shall not apply.

Adopted: 30 May 1996

(SGD.) GABRIEL C. SINGSON
Governor



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